

LINCOLN TOWNSHIP, OSCEOLA COUNTY

REED CITY, MICHIGAN

MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|--------------------------------|--|--------------------------|
| Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name Lincoln Township | County Osceola |
| Audit Date 3/31/04 | Opinion Date 5/26/04 | Date Accountant Report Submitted to State: 8/12/04 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

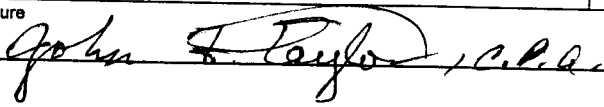
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | ✓ | | |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | | | ✓ |

| | | | |
|---|--|-------------------------|------------------------|
| Certified Public Accountant (Firm Name) Baird, Cotter & Bishop, P.C. | | | |
| Street Address 134 W. Harris Street | | City Cadillac | State MI |
| Accountant Signature  | | ZIP 49601 | Date 8/12/04 |

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

MARCH 31, 2004

TABLE OF CONTENTS

| | <u>EXHIBIT</u> | <u>PAGES</u> |
|--|------------------|--------------|
| Independent Auditors' Report | | 1-2 |
| <u>GENERAL-PURPOSE FINANCIAL STATEMENTS</u> | | |
| Combined Balance Sheet - All Fund Types | 1 | 3-4 |
| Combined Statement of Revenues, Expenditures and Changes in Fund Balance - All Governmental Fund Types | 2 | 5 |
| Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund | 3 | 6 |
| Notes to Financial Statements | | 7-12 |
| <u>FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS</u> | | |
| | <u>STATEMENT</u> | |
| <u>General Fund</u> | | |
| Balance Sheet | A-1 | 13 |
| Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | A-2 | 14 |
| Analysis of Revenues | A-3 | 15 |
| Analysis of Expenditures | A-4 | 16-19 |
| <u>Special Revenue Fund</u> | | |
| <u>Road Fund</u> | | |
| Balance Sheet | B-1 | 20 |
| Statement of Revenues, Expenditures and Changes in Fund Balance | B-2 | 21 |
| <u>Agency Fund</u> | | |
| <u>Current Tax Collection Fund</u> | | |
| Balance Sheet | C-1 | 22 |
| Statement of Cash Receipts, Disbursements and Changes in Balance | C-2 | 23-24 |
| <u>OTHER INFORMATION</u> | | |
| | <u>SCHEDULE</u> | |
| Statement of 2003 Tax Roll | 1 | 25-26 |
| Letter of Comments and Recommendations | | 27-28 |
| Letter of Reportable Conditions | | 29 |

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

Baird, Cotter and Bishop, P.C.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

May 26, 2004

INDEPENDENT AUDITORS' REPORT

To the Township Board
Lincoln Township
Osceola County
Reed City, Michigan

We have audited the accompanying general-purpose financial statements of Lincoln Township, Osceola County, Reed City, Michigan as of and for the year ended March 31, 2004, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Township. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general-purpose financial statements referred to above do not include a general fixed assets account group, which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except that the omission of the information described in the preceding paragraph results in an incomplete presentation, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Lincoln Township, Osceola County, Reed City, Michigan as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principals generally accepted in the United States of America.

Our examination was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying financial information listed as "Financial Statements of Individual Funds" and "Other Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the examination of the general-purpose financial statements, and in our opinion, it is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

COMBINED BALANCE SHEET

ALL FUND TYPES
MARCH 31, 2004

| | <u>GOVERNMENTAL FUND TYPES</u> | |
|-------------------------------------|--------------------------------|----------------------------|
| | <u>GENERAL</u> | <u>SPECIAL REVENUE</u> |
| <u>ASSETS</u> | | |
| Cash | | |
| Commercial Account | \$ 116,174 | \$ 0 |
| Savings Accounts | 179,421 | 110,893 |
| Taxes Receivable | 4,615 | 3,957 |
| Accounts Receivable | 16,577 | 0 |
| Due from Other Governments | 0 | 0 |
| Due from Other Funds | 83 | 4,065 |
| | | |
| TOTAL ASSETS | <u>\$ 316,870</u> | <u>\$ 118,915</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| <u>LIABILITIES</u> | | |
| Accounts Payable | \$ 3,186 | \$ 0 |
| Payroll Withholdings | 1,667 | 0 |
| Due to Other Governments | 0 | 0 |
| Due to Other Funds | 4,025 | 0 |
| Deferred Revenue | 16,778 | 219 |
| | | |
| Total Liabilities | <u>\$ 25,656</u> | <u>\$ 219</u> |
| <u>FUND BALANCE</u> | | |
| Unreserved | \$ 291,214 | \$ 0 |
| Reserved for Road Maintenance | 0 | 118,696 |
| | | |
| Total Fund Balance | <u>\$ 291,214</u> | <u>\$ 118,696</u> |
| | | |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 316,870</u> | <u>\$ 118,915</u> |

The accompanying notes are an integral part of these financial statements

EXHIBIT 1

| <u>FIDUCIARY FUND TYPE AGENCY</u> | <u>TOTAL (MEMORANDUM ONLY)</u> |
|---|--|
| \$ 1,600 | \$ 117,774 |
| 0 | 290,314 |
| 0 | 8,572 |
| 0 | 16,577 |
| 2,738 | 2,738 |
| 0 | 4,148 |
| <u>\$ 4,338</u> | <u>\$ 440,123</u> |
| \$ 0 | \$ 3,186 |
| 0 | 1,667 |
| 4,215 | 4,215 |
| 123 | 4,148 |
| 0 | 16,997 |
| <u>\$ 4,338</u> | <u>\$ 30,213</u> |
| \$ 0 | \$ 291,214 |
| 0 | 118,696 |
| <u>\$ 0</u> | <u>\$ 409,910</u> |
| <u>\$ 4,338</u> | <u>\$ 440,123</u> |

The accompanying notes are an integral part of these financial statements

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004

| | <u>GOVERNMENTAL FUND TYPES</u> | | <u>TOTALS</u> |
|---|--------------------------------|----------------------------|------------------------------|
| | <u>GENERAL</u> | <u>SPECIAL REVENUE</u> | <u>(MEMORANDUM ONLY)</u> |
| <u>REVENUES</u> | | | |
| Taxes | \$ 59,691 | \$ 44,019 | \$ 103,710 |
| State Grants | 123,199 | 0 | 123,199 |
| Charges for Services | 9,350 | 0 | 9,350 |
| Interest and Rents | 8,963 | 361 | 9,324 |
| Other | 1,789 | 0 | 1,789 |
| Total Revenues | \$ 202,992 | \$ 44,380 | \$ 247,372 |
| <u>EXPENDITURES</u> | | | |
| Legislative | | | |
| Township Board | \$ 8,824 | \$ 0 | \$ 8,824 |
| General Government | | | |
| Supervisor | 7,817 | 0 | 7,817 |
| Assessor | 18,121 | 0 | 18,121 |
| Clerk | 9,057 | 0 | 9,057 |
| Board of Review | 2,447 | 0 | 2,447 |
| Treasurer | 15,264 | 0 | 15,264 |
| Building and Grounds | 14,232 | 0 | 14,232 |
| Cemetery | 6,977 | 0 | 6,977 |
| Public Safety | 57,675 | 0 | 57,675 |
| Public Works | 430 | 23,006 | 23,436 |
| Other Functions | 36,054 | 0 | 36,054 |
| Total Expenditures | \$ 176,898 | \$ 23,006 | \$ 199,904 |
| Excess of Revenues Over (Under) Expenditures | \$ 26,094 | \$ 21,374 | \$ 47,468 |
| <u>FUND BALANCE - April 1, 2003</u> | 265,120 | 97,322 | 362,442 |
| <u>FUND BALANCE - March 31, 2004</u> | \$ 291,214 | \$ 118,696 | \$ 409,910 |

The accompanying notes are an integral part of these financial statements.

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2004

| | GENERAL FUND | | |
|--|--------------|------------|---|
| | BUDGET | ACTUAL | VARIANCE- FAVORABLE (UNFAVORABLE) |
| <u>REVENUES</u> | | | |
| Taxes | \$ 56,420 | \$ 59,691 | \$ 3,271 |
| State Grants | 120,000 | 123,199 | 3,199 |
| Charges for Services | 9,000 | 9,350 | 350 |
| Interest and Rents | 6,300 | 8,963 | 2,663 |
| Other | 0 | 1,789 | 1,789 |
| Total Revenues | \$ 191,720 | \$ 202,992 | \$ 11,272 |
| <u>EXPENDITURES</u> | | | |
| Legislative | | | |
| Township Board | \$ 13,500 | \$ 8,824 | \$ 4,676 |
| General Government | | | |
| Supervisor | 10,300 | 7,817 | 2,483 |
| Assessor | 25,700 | 18,121 | 7,579 |
| Clerk | 12,600 | 9,057 | 3,543 |
| Board of Review | 1,950 | 2,447 | (497) |
| Treasurer | 16,040 | 15,264 | 776 |
| Building and Grounds | 20,000 | 14,232 | 5,768 |
| Cemetery | 9,600 | 6,977 | 2,623 |
| Public Safety | 52,864 | 57,675 | (4,811) |
| Public Works | 700 | 430 | 270 |
| Other Functions | 36,526 | 36,054 | 472 |
| Total Expenditures | \$ 199,780 | \$ 176,898 | \$ 22,882 |
| Excess of Revenues Over (Under) Expenditures | \$ (8,060) | \$ 26,094 | \$ 34,154 |
| <u>FUND BALANCE</u> - April 1, 2003 | 0 | 265,120 | 265,120 |
| <u>FUND BALANCE</u> (Deficit) - March 31, 2004 | \$ (8,060) | \$ 291,214 | \$ 299,274 |

The accompanying notes are an integral part of these financial statements.

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Lincoln Township is a general law township located in Osceola County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Township has not maintained a record of its general fixed assets. The Township has no long-term debts which would be recorded in the general long-term debt account group.

The government has the following fund types and account group:

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes and interest are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

Governmental funds include the following fund types:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Revenue Fund accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects).

Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others.

The Current Tax Collection Fund is an agency fund and is custodial in nature. It does not present results of operation or have a measurement focus. The agency fund also uses the modified accrual basis of accounting. This fund is used to account for property tax collections which the township makes and distributes to others in an agency capacity.

C. Assets, Liabilities and Equity

1. Deposits and Investments

(I) The Township has authorized the Treasurer to invest funds as follows:

(a) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II).

(II) A public corporation that invests its funds under subsection (I) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.

(III) Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).

(IV) As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property taxes attach as an enforceable lien on the property as of the date they are levied. Township, county and school taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

3. Fixed Assets and Long-Term Liabilities

Fixed assets used in governmental fund types (general fixed assets) should be accounted for in the General Fixed Assets Account Group at cost or estimated historical cost if purchased or constructed. Donated fixed assets should be recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized. The Township has not maintained a record of its general fixed assets.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Township) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not included in the general fixed assets account group.

4. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

5. Use of Estimates

The presentation of financial statements in accordance with generally accepted accounting principles requires the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts presented are as originally adopted on March 11, 2003, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures. No budget was adopted for the Road Fund for the year ended March 31, 2004.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

At year-end, the carrying amount of the Township's deposits was \$408,088 and the bank balance was \$410,773, of which \$247,021 was entirely covered by Federal Depository Insurance, and the remaining \$163,752 was uninsured and uncollateralized.

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

The carrying amount of the Township's deposits at year-end are shown below:

| | GENERAL FUND | SPECIAL REVENUE FUNDS | CURRENT TAX COLLECTION FUND |
|---------------------------|-------------------|-----------------------------|-----------------------------------|
| Chemical Bank | | | |
| Reed City, Michigan | | | |
| Commercial Accounts | \$ 116,174 | \$ 0 | \$ 1,600 |
| Savings Accounts | 17,591 | 110,893 | |
| Lake - Osceola State Bank | | | |
| Reed City, Michigan | | | |
| Money Market Account | 47,021 | 0 | 0 |
| Huntington Bank | | | |
| Reed City, Michigan | | | |
| Money Market Account | 114,809 | 0 | 0 |
| | <u>\$ 295,595</u> | <u>110,893</u> | <u>\$ 1,600</u> |

IV. OTHER INFORMATION

A. Property Taxes

The Township levied 1.8747 mills in tax on a state taxable value of \$44,878,211 on the 2003 tax roll. The 1.8747 mill levy was for the following purposes:

| | |
|--------------------|---------------|
| Road Construction | 0.9795 |
| General Operations | <u>0.8952</u> |
| | <u>1.8747</u> |

The date of the levy was December 1, at which time the taxes become an enforceable lien against the property. Taxes are due and payable to the township treasurer on or before February 14. After February 14, the property taxes are payable to the Osceola County Treasurer.

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

B. Interest Income

For the year ended March 31, 2004, interest income was as follows:

| | INTEREST INCOME |
|--------------|--------------------|
| General Fund | \$ 2,303 |
| Road Fund | <u>361</u> |
| TOTAL | <u>\$ 2,664</u> |

C. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions, and worker's compensation insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2004

ASSETS

| | |
|--------------------------------------|-------------------|
| Cash | |
| Commercial Account | |
| Savings Account | \$ 116,174 |
| Taxes Receivable | 179,421 |
| Accounts Receivable | 4,615 |
| Due from Current Tax Collection Fund | 16,577 |
| | <u>83</u> |
| TOTAL ASSETS | \$ <u>316,870</u> |

LIABILITIES AND FUND BALANCE

LIABILITIES

| | |
|----------------------|---------------|
| Accounts Payable | \$ 3,186 |
| Payroll Withholdings | 1,667 |
| Due to Road Fund | 4,025 |
| Deferred Revenue | <u>16,778</u> |

Total Liabilities \$ 25,656

FUND BALANCE

Unreserved 291,214

TOTAL LIABILITIES AND FUND BALANCE \$ 316,870

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2004

| | BUDGET | ACTUAL | VARIANCE- FAVORABLE (UNFAVORABLE) |
|--|------------|------------|---|
| <u>REVENUES</u> | | | |
| Taxes | \$ 56,420 | \$ 59,691 | \$ 3,271 |
| State Grants | 120,000 | 123,199 | 3,199 |
| Charges for Services | 9,000 | 9,350 | 350 |
| Interest and Rents | 6,300 | 8,963 | 2,663 |
| Other Receipts | 0 | 1,789 | 1,789 |
| Total Revenues | \$ 191,720 | \$ 202,992 | \$ 11,272 |
| <u>EXPENDITURES</u> | | | |
| Legislative | | | |
| Township Board | \$ 13,500 | \$ 8,824 | \$ 4,676 |
| General Government | | | |
| Supervisor | 10,300 | 7,817 | 2,483 |
| Assessor | 25,700 | 18,121 | 7,579 |
| Clerk | 12,600 | 9,057 | 3,543 |
| Board of Review | 1,950 | 2,447 | (497) |
| Treasurer | 16,040 | 15,264 | 776 |
| Building and Grounds | 20,000 | 14,232 | 5,768 |
| Cemetery | 9,600 | 6,977 | 2,623 |
| Public Safety | | | |
| Fire Department | 51,364 | 45,128 | 6,236 |
| Refuse Collection | 1,500 | 12,547 | (11,047) |
| Public Works | 700 | 430 | 270 |
| Other Functions | 36,526 | 36,054 | 472 |
| Total Expenditures | \$ 199,780 | \$ 176,898 | \$ 22,882 |
| Excess of Revenues Over (Under) Expenditures | \$ (8,060) | \$ 26,094 | \$ 34,154 |
| <u>FUND BALANCE - April 1, 2003</u> | 0 | 265,120 | 265,120 |
| <u>FUND BALANCE (Deficit) - March 31, 2004</u> | \$ (8,060) | \$ 291,214 | \$ 299,274 |

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
FOR THE YEAR ENDED MARCH 31, 2004

TAXES

| | |
|--------------------------------------|---------------|
| Current Property Tax | |
| Delinquent Property Tax and Interest | \$ 39,970 |
| Industrial Facility Tax | 1,119 |
| Commercial Forest | 139 |
| Administration Fees | 3 |
| | <u>18,460</u> |

Total Taxes

\$ 59,691

STATE GRANTS

State Revenue Sharing
Sales and Use Tax

123,199

CHARGES FOR SERVICES

| | |
|----------------|--------------|
| Fire Runs | |
| Grave Openings | \$ 8,000 |
| | <u>1,350</u> |

Total Charges for Services

9,350

INTEREST AND RENTS

| | |
|---------------------|--------------|
| Interest Earnings | |
| Rents and Royalties | \$ 2,303 |
| | <u>6,660</u> |

Total Interest and Rents

8,963

OTHER REVENUES

Miscellaneous

1,789

TOTAL CASH RECEIPTS

\$ 202,992

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2004

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages

\$ 4,980

Supplies

Office Supplies

1,174

Other Services and Charges

Contracted Services

160

Transportation and Expense

75

Printing and Publishing

462

Dues and Fees

1,742

Miscellaneous

231

Total Legislative

\$ 8,824

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages

\$ 7,800

Other Services and Charges

Transportation

17

Total Supervisor

\$ 7,817

Assessor

Personal Services

Salaries and Wages

\$ 17,911

Supplies

Office Supplies

210

Total Assessor

18,121

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2004

Clerk

| | |
|----------------------------|----------|
| Personal Services | |
| Salaries and Wages | \$ 8,299 |
| Supplies | |
| Office Supplies | 338 |
| Other Services and Charges | |
| Telephone | 12 |
| Seminars/Training | 330 |
| Transportation and Expense | 78 |
| | <hr/> |

Total Clerk

9,057

Board of Review

| | |
|----------------------------|----------|
| Personal Services | |
| Salaries and Wages | \$ 2,050 |
| Other Services and Charges | |
| Transportation and Expense | 47 |
| Printing and Publishing | 119 |
| Seminars/Training | 170 |
| Miscellaneous | 61 |
| | <hr/> |

Total Board Review

2,447

Treasurer

| | |
|----------------------------|-----------|
| Personal Services | |
| Salaries and Wages | \$ 11,130 |
| Supplies | |
| Office Supplies | 1,308 |
| Other Services and Charges | |
| Seminars/Training | 285 |
| Transportation and Expense | 97 |
| Contracted Services | 400 |
| Printing and Publishing | 2,044 |
| | <hr/> |

Total Treasurer

15,264

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2004

| | | | |
|----------------------------|----|-------|--------|
| Building and Grounds | | | |
| Personal Services | | | |
| Salaries and Wages | \$ | 6,016 | |
| Supplies | | | |
| Operating Supplies | | 497 | |
| Other Services and Charges | | | |
| Contracted Services | | 1,275 | |
| Public Utilities | | 1,631 | |
| Communications | | 743 | |
| Repairs and Maintenance | | 3,936 | |
| Mileage | | 134 | |
| | | | |
| Total Building and Grounds | | | 14,232 |

| | | | |
|----------------------------|----|-------|-------|
| Cemetery | | | |
| Personal Services | | | |
| Salaries and Wages | \$ | 98 | |
| Supplies | | | |
| Operating Supplies | | 195 | |
| Other Services and Charges | | | |
| Contracted Services | | 6,684 | |
| | | | |
| Total Cemetery | | | 6,977 |

Total General Government

73,915

PUBLIC SAFETY

| | | | |
|--------------------|----|-------|--|
| Fire Department | | | |
| Personal Services | | | |
| Salaries and Wages | \$ | 7,513 | |
| Supplies | | | |
| Office Supplies | | 373 | |
| Operating Supplies | | 2,790 | |

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2004

| | | |
|-----------------------------|--------|-----------|
| Other Services and Charges | | |
| Contracted Services | 709 | |
| Public Utilities | 7,113 | |
| Communications | 848 | |
| Dues and Fees | 216 | |
| Repair and Maintenance | 7,552 | |
| Gasoline and Oil | 2,452 | |
| Transportation and Expenses | 35 | |
| Capital Outlay | | |
| Equipment | 15,527 | |
| Total Fire Department | | \$ 45,128 |

| | | |
|----------------------------|----------|--------|
| Refuse Collection | | |
| Other Services and Charges | | |
| Contracted Service | \$ 1,326 | |
| Township Clean-up Day | 11,221 | |
| Total Refuse Collection | | 12,547 |

| | | |
|---------------------|--|--------|
| Total Public Safety | | 57,675 |
|---------------------|--|--------|

PUBLIC WORKS

| | | |
|-----------------|--|-----|
| Street Lighting | | 430 |
|-----------------|--|-----|

OTHER FUNCTIONS

| | | |
|------------------------------|----------|-----------|
| Insurance and Bonds | | \$ 13,435 |
| IRS Penalty and Interest | | 12,797 |
| Employee Benefits | | |
| Medicare and Social Security | \$ 5,535 | |
| Workers' Compensation | 4,287 | |
| Total Employee Benefits | | 9,822 |

| | | |
|-----------------------|--|--------|
| Total Other Functions | | 36,054 |
|-----------------------|--|--------|

| | | |
|--------------------|--|------------|
| TOTAL EXPENDITURES | | \$ 176,898 |
|--------------------|--|------------|

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

ROAD FUND

BALANCE SHEET
MARCH 31, 2004

ASSETS

| | |
|--------------------------------------|-------------------|
| Cash | |
| Savings Account | |
| Taxes Receivable | \$ 110,893 |
| Due from General Fund | 3,957 |
| Due from Current Tax Collection Fund | 4,025 |
| | <u>40</u> |
| TOTAL ASSETS | \$ <u>118,915</u> |

LIABILITIES AND FUND BALANCE

| | |
|------------------------------------|-------------------|
| <u>Liabilities</u> | |
| Deferred Revenue | \$ 219 |
| <u>Fund Balance</u> | |
| Reserved for Road Maintenance | <u>118,696</u> |
| TOTAL LIABILITIES AND FUND BALANCE | \$ <u>118,915</u> |

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

ROAD FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

REVENUES

Taxes

Current Property Taxes

Delinquent Property Taxes

Industrial Facility Tax

Interest Earnings

\$ 43,732

176

111

361

Total Revenues

\$ 44,380

EXPENDITURES

Public Works

Highways, Streets and Bridges

Other Services and Charges

Contracted Services

23,006

Excess of Revenues Over

(Under) Expenditures

\$ 21,374

FUND BALANCE - April 1, 2003

97,322

FUND BALANCE - March 31, 2004

\$ 118,696

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

CURRENT TAX COLLECTION FUND

BALANCE SHEET
MARCH 31, 2004

ASSETS

| | |
|----------------------------|-----------------|
| Cash | |
| Commercial Account | |
| Due from Other Governments | \$ 1,600 |
| | <u>2,738</u> |
| TOTAL ASSETS | \$ <u>4,338</u> |

LIABILITIES

| | |
|--------------------------|-----------------|
| Liabilities | |
| Due to Other Funds | |
| Due to Other Governments | \$ 123 |
| | <u>4,215</u> |
| TOTAL LIABILITIES | \$ <u>4,338</u> |

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

| | | |
|--------------------------------|--|---------------------|
| Current Tax Collections | | |
| Delinquent Tax Collections | | \$ 1,411,786 |
| Industrial Facility Tax | | 7,273 |
| Penalties and Interest | | 2,113 |
| Dog License Fees | | 1,288 |
| Overcollections from Taxpayers | | 99 |
| Commercial Forest | | 2,490 |
| Total Receipts | | 88 |
| | | <u>\$ 1,425,137</u> |

DISBURSEMENTS

| | | | |
|--------------------------------------|----|------------|----------|
| Payments to State Treasurer | | | |
| Industrial Facility Tax - Current | \$ | 714 | |
| Industrial Facility Tax - Delinquent | | 2,310 | |
| Commercial Forest | | 64 | |
| | | <u>64</u> | \$ 3,088 |
| Payments to County Treasurer | | | |
| Current Tax | \$ | 587,230 | |
| Delinquent Tax | | 3,746 | |
| Commercial Forest | | 17 | |
| Dog Licenses | | 69 | |
| | | <u>69</u> | 591,062 |
| Payments to Township Treasurer | | | |
| Current Tax | | | |
| Operating | \$ | 36,553 | |
| Roads | | 39,994 | |
| Delinquent Tax | | | |
| Operating | | 161 | |
| Roads | | 176 | |
| Industrial Facility Tax | | 175 | |
| Commercial Forest | | 3 | |
| Administrative Fees | | 14,039 | |
| Penalties and Interest | | 987 | |
| | | <u>987</u> | 92,088 |
| Payments to School Treasurer | | | |
| Pine River Area Schools | | | |
| Current Tax | \$ | 95,438 | |
| Delinquent Tax | | 2,849 | |
| Industrial Facility Tax | | 265 | |

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

| | | | |
|---|-----------|------------|---------------------|
| Reed City Public Schools | | | |
| Current Tax | 453,333 | | |
| Delinquent Tax | 318 | | |
| Commercial Forest | 4 | 552,207 | |
| Payments to Intermediate School Treasurers | | | |
| Wexford - Missaukee | | | |
| Current Tax | \$ 55,320 | | |
| Delinquent Tax | 1,137 | | |
| Mecosta - Osceola | | | |
| Current Tax | 129,879 | | |
| Delinquent Tax | 205 | 186,541 | |
| Refund to Taxpayers for Overcollections | | 2,490 | |
| Total Disbursements | | | <u>1,427,476</u> |
| Excess of Receipts Over (Under) Disbursements | | \$ (2,339) | |
| <u>BALANCE</u> - April 1, 2003 | | | <u>3,939</u> |
| <u>BALANCE</u> - March 31, 2004 | | \$ | <u><u>1,600</u></u> |

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

STATEMENT OF 2003 TAX ROLL
MARCH 31, 2004

TAXES ASSESSED

County

| | |
|---------------------|------------|
| Operating | |
| Commission on Aging | \$ 287,832 |
| Voted Road Patrol | 35,618 |
| Voted EMS | 43,355 |
| State Education Tax | 44,526 |
| | 224,382 |

Township

| | |
|-----------|--------|
| Operating | |
| Roads | 40,170 |
| | 43,951 |

Schools

| | |
|--------------------------|---------|
| Pine River Area Schools | |
| Reed City Public Schools | 113,612 |
| | 467,454 |

Intermediate Schools

| | |
|-------------------|---------|
| Wexford-Missaukee | |
| Mecosta-Osceola | 67,270 |
| | 138,299 |

\$ 1,506,469

TAXES COLLECTED

County

| | |
|---------------------|------------|
| Operating | |
| Commission on Aging | \$ 261,966 |
| Voted Road Patrol | 32,417 |
| Voted EMS | 39,460 |
| State Education Tax | 40,525 |
| | 212,934 |

Township

| | |
|-----------|--------|
| Operating | |
| Roads | 36,560 |
| | 40,002 |

Schools

| | |
|--------------------------|---------|
| Pine River Area Schools | |
| Reed City Public Schools | 92,559 |
| | 456,103 |

Intermediate Schools

| | |
|-------------------|---------|
| Wexford-Missaukee | |
| Mecosta-Osceola | 55,279 |
| | 129,941 |

1,397,746

LINCOLN TOWNSHIP, OSCEOLA COUNTY
REED CITY, MICHIGAN

STATEMENT OF 2003 TAX ROLL
MARCH 31, 2004

TAXES RETURNED DELINQUENT

| | | |
|--------------------------|----|----------------|
| County | | |
| Operating | \$ | 25,866 |
| Commission on Aging | | 3,201 |
| Voted Road Patrol | | 3,895 |
| Voted EMS | | 4,001 |
| State Education Tax | | 11,448 |
| Township | | |
| Operating | | 3,610 |
| Roads | | 3,949 |
| Schools | | |
| Pine River Area Schools | | 21,053 |
| Reed City Public Schools | | 11,351 |
| Intermediate Schools | | |
| Wexford-Missaukee | | 11,991 |
| Mecosta-Osceola | | 8,358 |
| | | <u>8,358</u> |
| | \$ | <u>108,723</u> |

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

May 26, 2004

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Lincoln Township
Osceola County
Reed City, Michigan

As a result of our audit of the general-purpose financial statements of Lincoln Township for the year ended March 31, 2004, we would like to note the following:

Budgeting

No budget was adopted for the Road Fund. As a special revenue fund type, Public Act 621 of 1978 requires that the Township adopt an annual budget for the Road Fund.

The General Fund budget did not conform to the requirements of Public Act 621 of 1978 as follows:

1. It did not include columns for actual revenue and expenditure amounts for the prior year (2001-2002) and estimated actual amounts for the current year (2002-2003). These columns should be included in addition to the amounts for the year that is being budgeted.
2. It did not include any amounts for beginning and ending fund balances.

This is a repeat of an audit finding from the March 31, 2002 audit. We are available to assist you in correcting the format of your budgets or to review their format before they are adopted.

Condition of Records

We found that the accounting records were greatly improved compared to their condition for the year ended March 31, 2002. Bank accounts were reconciled and records were filed in an orderly manner so that they could be retrieved for audit testing. In addition, we found that the board meeting minutes were very well written and contained details of all of the financial activity of the Township that should be included in the minutes. We would like to commend the clerk and treasurer for the fine job they did in improving the Township records.

Rental Income

The board is to be commended for the improvements that were made in controlling and monitoring rental of the Township hall. Township hall rental income increased from \$405 for the year ended March 31, 2002 to \$6,660 for the current year.

GASB 34

The Governmental Accounting Standards Board has issued Statement Number 34. The implementation date for the Township for GASB 34 will be for the year ending March 31, 2005. We understand that good progress is being made in accumulating fixed asset data needed to implement GASB 34.

We would like to thank the board for its confidence in our firm and to thank the township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

Baird, Cotter and Bishop, P.C.

JOHN H. BISHOP, C.P.A.
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MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

May 26, 2004

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Lincoln Township
Osceola County
Reed City, Michigan

In planning and performing our audit of the general-purpose financial statements of Lincoln Township, Osceola County, Reed City, Michigan for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.